

Message Text

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ACTION NEA-10

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E.O. 11652: N/A
TAGS: ENRG
SUBJECT: AMINOIL NATIONALIZED SUCCESSOR COMPANY
ENCOUNTERS MARKETING DIFFICULTIES

1. KUWAIT WAFRA OIL COMPANY (KWOC), SUCCESSOR TO NATION-
ALIZED AMERICAN INDEPENDENT OIL COMPANY (AMINOIL), IS
PRODUCING AT APPROXIMATELY 70,000 B/D LEVEL RATHER THAN NORMAL
85,000 B/D BECAUSE OF ITS INABILITY TO MARKET EXTREMELY
HEAVY, HIGH SULFUR, EOCENE CRUDE, WHICH MUST BE
PROCESSED INTO FUEL OIL BEFORE SALE AS BUNKERS.
COMPANY'S DIFFICULTIES HAVE LED TO SPECULATION THAT MARKE-
TING OF ITS CRUDE MAY BE TAKEN OVER BY KUWAIT NATIONAL
PETROLEUM COMPANY (KNPC), GOVERNMENT-OWNED FIRM WITH
MORE MARKETING EXPERIENCE.

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2. COMMENTING ON SITUATION, GETTY OIL COMPANY MANAGER TOLD
AMBASSADOR RECENTLY THAT HIS COMPANY, WHICH EXPLOITS WAFRA
FIELD IN FORMER NEUTRAL ZONE WITH KWOC UNDER SAUDI CONCESSION,
IS ABLE TO MARKET FUEL OIL MADE FROM EOCENE CRUDE.
BECAUSE KWOC IS NOT, GETTY HAS HAD TO STOP ITS
EOCENE PRODUCTION; OTHERWISE, MANAGER EXPLAINED, UNDER
TERMS OF ITS JOINT CONCESSION AGREEMENT, GETTY MIGHT FIND

ITSELF EARNING INCOME FROM EOCENE SALES AT ONE PRICE
TODAY, BUT LATER SUBJECT TO TAXES AND ROYALTIES
CALCULATED ON BASIS OF HIGHER PRICE AT WHICH KWOC MIGHT SELL
EOCENE WHEN IT RESUMED PRODUCTION IN FUTURE AND DREW ON
EOCENE GETTY "OWNED" TO KWOC FOR OVERLIFTING. (BY THE
TERMS OF JOINT CONCESSION AGREEMENTS EACH COMPANY IS LIABLE
TO THE OTHER FOR ANY VARIANCE FROM 50-50 PRODUCTION
SPLIT.)

3. COMMENT: SITUATION IS ESPECIALLY ANOMALOUS GIVEN FACT
THAT THE OTHER OIL PRODUCER IN KUWAIT/SAUDI DIVIDED ZONE,
THE ARABIAN OIL COMPANY (AOC) HAS JUST INCREASED TOTAL
PRODUCTION TO OVER 300,000 B/D FROM A LOW OF UNDER
150,000 B/D AS A RESULT OF FINAL RECONCILIATION BETWEEN
DIFFERING SAUDI AND KUWAITI PRICES FOR AOC CRUDE. KWOC'S
MARKETING PROBLEMS MAY BE ONE REASON WHY COMPANY IS STILL
CALLED "UNDER FORMATION" AND RUMORS CONTINUE TO
CIRCULATE THAT COMPANY MAY BE MERGED WITH COUNTRY'S
LARGEST PRODUCER, THE GOVERNMENT CONTROLLED KUWAIT OIL
COMPANY. KWOC'S MARKETING DIFFICULTIES ARE A COME-DOWN FROM
SITUATION IN LATE 1977 WHEN NEW COMPANY WAS LOUDLY
PROCLAIMING TO NEWSPAPER ITS "SUCCESS" IN MARKETING AFTER
SEPTEMBER 1977 TAKE-OVER FROM AMINOIL.
MAESTRONE

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